

**EXHIBIT 118 TO  
HARVEY DECLARATION  
REDACTED VERSION**

**From:** Prasad Setty <prasadsetty@google.com> on behalf of Prasad Setty  
**Sent:** Saturday, September 18, 2010 3:09 AM  
**To:** Laszlo Bock  
**Cc:** Matt Kunzweiler; Eric Schaffer; Monica Davis; Jason Grishkoff  
**Subject:** Re: Draft Outline of Big Bang Proposal for LDCC

Laszlo:

Agree with your bullets #2 and #3 - we can add #3 explicitly and we have #2 captured in the last point under rationale.

We deliberately underplayed #1 (attrition angle) in case the LDCC asked us to have attrition targets tied to this rationale, similar to John's current request on FB exits. We might get questions around how much attrition benefit we'd get from a \$500M increase, etc, and whether we'd stop our counteroffer practice once we do this, etc.

It seemed like a cleaner logic to assert that we're paying Googlers what they're worth.

Should we add in attrition mgmt as a secondary reason?

Prasad

On Fri, Sep 17, 2010 at 4:26 PM, Laszlo Bock <laszlo@google.com> wrote:  
 Rationale should also include some form of:

- Responsive to rising attrition
- Higher salaries generate higher fixed costs, and therefore higher retention
- This is very strategic because start-ups don't have the cash flow to match, and big companies are (a) too worried about internal equity and scalability to do this and (b) don't have the margins to do this (you touch on this latter part)

We should also reference that we're looking at other levers (org structure, roles, leadership, career development, excitement/vision of products, etc) and that it's not just a comp solution. Also needs a distinct piece about VP+ which will I think be as we last discussed with Shona. I wouldn't mention that Googlers feel entitled.

On Fri, Sep 17, 2010 at 4:04 PM, Matt Kunzweiler <mattk@google.com> wrote:  
 Hi Laszlo,

Pasted below the signature line is our high-level draft outline of the Big Bang proposal for the LDCC. This version frames the proposal as a change in our compensation philosophy to market ████ n %ile for base and total cash. Note we are still calculating post-BB market targets, which should be ready by mid-next week. The figures in the outline are rough estimates and may change.

This outline only covers the "Overview" section of the proposal doc. We'll delve into full detail in the rest of the doc (e.g., mechanics, accounting/earnings impact, disclosure requirements, exec participation), but wanted to get your reaction to the framing sooner versus later.

Any edits/feedback would be greatly appreciated. And please let us know if you have any questions.

Thanks,  
 Matt

## Rationale

- We should pay [REDACTED] %ile cash comp for [REDACTED] %ile talent
  - Googlers are [REDACTED] %ile talent
  - Historically, we have targeted the market [REDACTED] %ile for cash comp
  - We attracted and retained talent at a “discount” because of our brand premium and strong growth
  - This discount is evident in the following cases:
    - [REDACTED]
    - [REDACTED]
    - [REDACTED]
- At this point in Google’s lifecycle, employees are less willing to accept this discounted arrangement:
  - Googlers heavily discount the value of their equity vs. cash
  - Googlers discount the value of their bonuses vs. salary
  - Only [REDACTED] are satisfied with base salary
- Accordingly, we now propose targeting the [REDACTED] %ile for base salary and total cash compensation (both of which previously targeted the [REDACTED])
- Employees typically adjust their lifestyles according to base salary. [REDACTED]

## Proposal

To target [REDACTED] %ile rates for base and TCC, we propose (1) maximizing the impact of our current cash comp spend and (2) using our high margins to increase total annual cash comp spend by an incremental ~\$500M (excluding follow-on non-comp expenses / “butterfly effect”).

- Maximize the impact of our current cash comp spend by [REDACTED]
  - [REDACTED]
  - Googlers have come to feel entitled to a [REDACTED]
  - However, Googlers discount its value compared to base salary, because:
    - [REDACTED]
    - [REDACTED]
  - Therefore, we propose [REDACTED] thereby increasing its perceived value
  - This brings our base salary and TTC levels to the market [REDACTED]
- Increase total cash comp spend by an incremental ~\$500M
  - By offering a flat [REDACTED] salary increase to all Googlers, we will reach the market [REDACTED] %ile [TBC] for both base and TTC
  - [REDACTED]
  - [REDACTED]

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 Prasad Setty  
 People Analytics & Compensation  
 650 353 7921